



ADMINISTRATIVE SERVICES DEPARTMENT

MEMORANDUM

DATE: September 17, 2012

TO: The Oversight Board of the Successor Agency to the Former Temple City Redevelopment Agency

FROM: Tracey L. Hause, Administrative Services Director

SUBJECT: RESOLUTION NO. OB-5, APPROVING A LOAN AGREEMENT BETWEEN THE CITY OF TEMPLE CITY AND THE SUCCESSOR AGENCY TO THE FORMER TEMPLE CITY COMMUNITY REDEVELOPMENT AGENCY TO BE USED TO PAY THE LICENSED ACCOUNTANT

RECOMMENDATION:

Adopt the attached Resolution No. OB – 5, approving a loan agreement (Attachment “A”) between the City of Temple City and the Successor Agency to the Former Temple City Community Redevelopment Agency (Successor Agency) to be used to pay for a licensed accountant.

BACKGROUND:

1. On June 29, 2011, as part of adopting the State of California Fiscal Year (FY) 2011-12 budget, the Governor signed two trailer bills, AB X1 26 and AB X1 27, into law. The legislation was effective on June 29, 2011. AB X1 26 eliminated redevelopment agencies as of October 1, 2011. Under AB X1 26 (chapter 5, Statutes of 2011), an Oversight Board was established to oversee the actions of the Successor Agency.
2. On July 18, 2011, the California Redevelopment Association and League of California Cities filed suit to invalidate AB X1 26 and AB X1 27.
3. On December 29, 2011, the California Supreme Court announced its decision in *CRA v. Matosantos* upholding AB X1 26 as a constitutional exercise of the Legislature’s power, but striking down AB X1 27 as unconstitutional.
4. On January 13, 2012, in the absence of any election to the contrary, the City of

Temple City (City) became the successor entity for the general functions of the Temple City Community Redevelopment Agency (Agency).

5. On February 1, 2012, unless urgency legislation or another pending lawsuit intervened, every redevelopment agency in the State of California was dissolved and a successor agency was created for each redevelopment agency.
6. On June 27, 2012, AB 1484 was passed by the legislature. AB 1484 is a clean-up bill to AB X1 26.
7. On August 6, 2012, the Oversight Board of the Successor Agency to the Former Temple City Community Redevelopment Agency (Oversight Board) granted the City Manager authority to dispense with the formal bidding process and negotiate a professional services agreement with Vavrinek, Trine, Day & Co., LLP (VTD) for a Due Diligence Review in accordance with AB 1484. The Oversight Board also approved the ROPS for January 2013-June 2013 (ROPS III) which includes funds to cover the Due Diligence Report.
8. On August 7, 2012, the Successor Agency granted the City Manager authority to dispense with the formal bidding process and negotiate a professional services agreement with Vavrinek, Tine, Day & Co., LLP (VTD) for a Due Diligence Review in accordance with AB 1484.
9. On September 4, 2012, the Successor Agency approved the loan agreement between the City of Temple City and the Successor Agency to be used to pay for a licensed accountant.

ANALYSIS:

The cost of the Due Diligence Review is unknown at this time as a scope has yet to be developed. It is anticipated the review will not exceed \$25,000 and is within the approved authority of the City Manager. The City Council, during their regular meeting of August 7, 2012, granted authority to the City Manager to dispense with the formal bidding process and negotiate a contract with VTD. The cost to perform the Due Diligence Review as required would be an expense of the Successor Agency and the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through December 31, 2012, would be amended to include an amount not to exceed \$25,000. However, staff has recently learned that the California Department of Finance has indicated that it will not allow any amendments to or revisions of ROPS for the period of July 2012-December 2012 (ROPS II) and the Agency is required to submit the ROPS for January 2013-June 2013 (ROPS III) to the Department of Finance and County Auditor-Controller on or before September 1, 2012. It is not anticipated that the Due Diligence Report will be completed by this date.

AB 1484 however does provide that the City may loan funds to the Successor Agency for various expenses of the Successor Agency, including administrative expenses, and that the loan must be reflected on the Successor Agency's ROPS, and is subject to the approval of the Oversight Board.

Relying on the authority of AB 1484, it is recommended the City be prepared to extend a temporary loan (Loan) to the Successor Agency in an amount not to exceed \$25,000 to be used to pay the licensed accountant for the Due Diligence Review when it occurs. The terms of the loan will be documented by a Loan Agreement and will become an expense of the Successor Agency. It is anticipated the loan will be repaid to the City when all obligations of the Successor Agency are satisfied.

CONCLUSION:

The Successor Agency will be responsible for the cost of the Due Diligence Review. Currently the Successor Agency does not have resources to meet immediate administrative costs and will not have the funds available to pay VTD for their services. The only other source of funding is the City and in order to ensure the City will be reimbursed for the cost of the Due Diligence Review, the execution of a Loan Agreement between the City and the Successor Agency is necessary.

FISCAL IMPACT:

There is no fiscal impact to the Oversight Board.

ATTACHMENT:

A. Loan Agreement

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RESOLUTION NO. OB 2012-05

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE TEMPLE CITY COMMUNITY REDEVELOPMENT AGENCY, APPROVING A LOAN AGREEMENT BETWEEN THE SUCCESSOR AGENCY TO THE TEMPLE CITY COMMUNITY REDEVELOPMENT AGENCY AND THE CITY OF TEMPLE CITY TO FUND THE COSTS OF A LICENSED ACCOUNTANT TO PERFORM THE HOUSING DUE DILIGENCE REVIEW

WHEREAS, On January 17, 2012, the City Council of the City of Temple City elected to become the Successor Agency and housing Successor Agency to the Temple City Community Redevelopment Agency (collectively referred to as "Successor Agency"), pursuant to Health and Safety Code Section 34173(d); and

WHEREAS, Health & Safety Code Section 34177.3 authorizes the Successor Agency to create enforceable obligations for the purpose of conducting work related to the wind-down of the former Temple City Community Redevelopment Agency, including the hiring of staff and procuring of necessary professional services; and

WHEREAS, Health & Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant approved by the County Auditor-Controller and with experience and expertise in local government accounting, to conduct a "Due Diligence Review" ("DDR") for each of the housing and non-housing assets, which DDR for the housing assets is due to the Department of Finance and to the Oversight Board for review by no later than October 1, 2012; and

WHEREAS, in order to meet the October 1, 2012 deadline, the Successor Agency needed to engage the services of a license accountant to begin the housing DDR prior to September 1, 2012; and

WHEREAS, on August 6, 2012, the Oversight Board adopted Resolution No. OB 2012-04, authorizing and approving the Successor Agency to negotiate a contract with the licensed accountancy firm of Vavrinek, Trine, Day & Co., LLP ("VTD") to perform the housing and non-housing DDR's; and

WHEREAS, the Successor Agency had insufficient funds to engage the licensed accountant VTD for this statutorily mandated purpose, given that the Department of Finance has determined that it will not allow any amendments or revisions of the Recognized Obligation Payment Schedule ("ROPS") for the period of July 2012 – December 2012 ("ROPS II"); and

WHEREAS, Health & Safety Code Section 34173(h) provides that the City may loan funds to the Successor Agency for the various expenses of the Successor Agency,

including administrative expenses, and that the loan must be reflected on the Agency's ROPS, thus requiring Oversight Board Approval; and

WHEREAS, the City of Temple City has agreed to loan the Successor Agency up to \$25,000 as a temporary loan for the purpose of funding the Successor Agency's contract with a licensed accountant (VTD) for the preparation of the DDR for both the housing and non-housing assets; and

WHEREAS, in reliance on the City loan, the Successor Agency has engaged the services of VTD; and

WHEREAS, the Successor Agency will amend the ROPS III to reflect the repayment obligations of the City loan for the funds the City has advanced in order to compensate the Successor Agency's licensed accountant, VTD, for its work in preparation of the DDR for both the housing and non-housing assets; and

WHEREAS, Health and Safety Code Section 34179(e) requires all actions taken by the Oversight Board shall be adopted by resolution; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE TEMPLE CITY COMMUNITY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Approval of Loan Agreement. The Oversight Board hereby approves the Loan Agreement between the City of Temple City and the Successor Agency to the Temple City Community Redevelopment Agency for the purpose of funding the Successor Agency's contract with a licensed accountant to perform the statutorily mandated "Due Diligence Review" for both the housing and non-housing assets.

Section 3. Implementation. The Oversight Board hereby directs that copies of this Resolution No. OB 2012-05 be submitted to the Los Angeles County Auditor-Controller and the California Department of Finance;

Section 4. CEQA Compliance. The approval of the loan agreement through this Resolution does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Section 5. Effectiveness. Pursuant to Health and Safety Code Section 34179(h), all actions taken by the Oversight Board, may be reviewed by the California

Department of Finance, and therefore, this Resolution shall not be effective for five (5) business days, pending a request for review by the California Department of Finance.

PASSED, APPROVED AND ADOPTED this 17th day of September, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

David Jaynes, Chairperson

ATTEST:

,Deputy Clerk
County of Los Angeles, Board of Supervisors
Acting as Secretary to the Oversight Board
Of the Successor Agency to the
Temple City Community Redevelopment Agency